



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. # Ranking Democratic Member

214 O'Neill HOB # Washington, DC 20515 # 202-226-7200 # [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

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### **Congressional Budget Office Confirms Bush Budget Spends the Medicare Surplus**

Dear Democratic Colleague:

Ever since the Bush budget was presented, Democrats have contended that it would invade the Medicare surplus, contrary to Republican promises they would protect 100 percent of the Medicare surplus. (Republicans even voted unanimously for that requirement in H.R. 2, the Medicare Lockbox bill, which passed the House by 407 - 2 on February 13.) Now, CBO's reestimate of the President's budget ("An Analysis of the President's Budgetary Proposals for Fiscal Year 2002," May 2001) demonstrates that our contention is well founded.

CBO's figures show that, if the President's budget were enacted, the federal government would spend into the Medicare surplus in 2005, and would come perilously close in other years. This year, CBO projects a non-Medicare, non-Social Security surplus of \$92 billion; under the President's budget, the surplus would never again be that large within the ten-year budget window.

This is not an issue of mere symbolism; the dissipation of the budget surplus has real consequences. First, it reduces the nation's savings, and thereby makes the economy weaker as the retirement of the baby-boom generation approaches. The entire story of the strong economy of the 1990s was an increase in national saving, a resultant reduction in interest rates, and a boom in business investment which increased output and made workers more productive. The Bush budget would turn away from the very factors that gave us the surplus in the first place.

Second, and perhaps even more disturbing, the Bush budget would throw away a priceless opportunity to fix Social Security and Medicare. If the nation is to avoid the need for Social Security and Medicare benefit cuts or tax increases, then it must have additional resources to fill in the actuarial shortfall in those programs. Under the Bush budget, there would be a shortfall in 2005, and virtually no surplus in 2006 — even before considering the President's soon-to-be-proposed defense buildup. Even if the budget figures fully match the administration's projections, there will be almost no resources available until well after the President leaves office — and well after the baby boom begins to collect Social Security benefits, and claim health insurance under Medicare.

Sincerely,

John M. Spratt, Jr.  
Ranking Democratic Member

**CBO REESTIMATE SHOWS THAT THE PRESIDENT'S BUDGET SPENDS THE MEDICARE SURPLUS**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Baseline Unified Surplus	275.2	303.9	353.4	399.5	436.8	508.3	578.1	641.5	718.0	806.1	882.8
Less Social Security and Postal	155.9	171.6	187.5	202.4	221.3	238.1	256.2	275.3	293.2	311.2	330.2
Equals On-Budget Surplus	119.3	132.3	166.0	197.2	215.5	270.2	321.9	366.1	424.8	494.9	552.6
Less Medicare Part A Surplus	27.7	37.6	40.9	42.5	42.1	44.9	42.9	41.8	40.0	36.3	27.9
Equals Baseline Available Surplus	91.6	94.7	125.1	154.6	173.4	225.3	279.1	324.3	384.8	458.6	524.7
Less Tax Cuts	0.0	24.7	62.5	94.3	130.1	171.9	199.3	220.1	243.2	270.1	282.1
Less Spending Increases	3.3	20.4	23.6	20.2	25.6	24.3	29.8	32.5	33.7	42.0	41.1
Less Resulting Net Interest	0.1	1.4	4.6	10.3	18.0	28.5	41.9	57.5	75.3	95.7	118.5
Equals Remaining Surplus or Deficit	88.2	48.2	34.3	29.8	-0.4	0.7	8.1	14.3	32.6	50.9	83.0